



Briefing note

Furlough, pension schemes and automatic enrolment – Frequently Asked Questions

We are receiving a lot of queries from employers regarding the effect of furloughing on pension schemes and automatic enrolment (AE) and have put this Briefing Note together to cover the most common questions we've been asked.

However, if your question isn't covered or you would like to discuss your company's situation in more detail then please get in touch with your usual Punter Southall Aspire contact directly and we'll be happy to help.

Do I need to update my contribution certificates? I'm claiming under the CJRS, including employer pension contributions, do I need to change how I pay contributions to my pension provider?

Can I claim 3% statutory minimum contributions for all employees on furlough?

If I have employees on furlough, can I use postponement to delay re-enrolment for some or all them?

Do I need to update my contribution certificates?

Key areas of AE legislation revolve around pension contributions being paid on the statutory minimum basis linked to the 'qualifying earnings' band. The rules include flexibility to pay contributions on a number of alternative bases, but when employers do so they are required by law to produce contribution certificates confirming the details of the basis they are using.

Contribution certificates need to be updated at least every 18 months, or sooner if there is a material change. **It's possible that actions taken in response to Covid-19 will have triggered such a material change.**

For example, contribution certificates will typically need to be updated if you have:

- changed the definition of pensionable pay for any employees
- changed the contribution percentage rates for any employees
 - watch out for exceptions, e.g. employees paying an agreed fixed monetary amount where you/payroll may have changed the percentage rate in line with earnings to maintain the £p amount
- switched from salary sacrifice to payroll deduction (or vice versa), even if the total contribution percentage rates remain the same
- started paying contributions on the statutory basis (based on qualifying earnings paying at least 8% in total with the employer paying at least 3% of that). This is the one basis that usually doesn't require certification at all, but you may have to update the end dates on previous certificates if you switched to the statutory contribution basis before they had expired.

Typically you will not need to update certificates if:

- only the monetary value of contributions has changed in line with the monetary value of pensionable pay (but you are still using the same definition of pensionable pay and the same contribution percentage rates)

- you are claiming for pension contributions via the CJRS, which will be the statutory minimum employer contributions only, and you are topping that up to maintain your normal contribution basis and rates

I'm claiming under the CJRS, including employer pension contributions, do I need to change how I pay contributions to my pension provider?

As a general rule, unless you are making changes, you will continue to run payroll as normal and pay your pension contributions as normal. The employer pension contributions you claim via the CJRS, which are limited to 3% of the statutory minimum contributions and earnings capped at £2,500pm, are effectively a rebate, a partial rebate in most circumstances, that will be paid to you separately in the form of your CJRS grant.

Your duty to pay contributions promptly after payroll has been run, at the latest by the 22nd of the month following the month of payroll deduction, still applies. However, if you think you may not be able to make your pension contributions, contact us or your pension provider directly to explore whether there is flexibility to change your due date for payment of employer contributions and/or whether they can help you plan to pay contributions over a longer period. You could also consider the additional government support packages, which are designed to help with cashflow.

Can I claim 3% statutory minimum contributions for all employees on furlough?

You can only claim for pension contributions in respect of an individual on furlough provided you are paying at least that amount into their pension plan.

You can't claim pension contributions for anyone who has opted out of your pension scheme and if you have agreed to pay contributions of less than 3%, an exception process where a member has opted-out of your qualifying scheme but asked to continue below minimum contributions, you can only claim for the reduced rate of contributions that you are paying into their pension plan.

If I have employees on furlough, can I use postponement to delay re-enrolment for some or all them?

You can't use postponement as such at re-enrolment, but you can usually move your re-enrolment date + or - 3 months from the default date which will be confirmed on your re-enrolment letter from The Pensions Regulator. The Regulator's letter will also confirm the date range you can use, and this might allow you to select a date after employees have returned from furlough.

In addition, each employer can only use one re-enrolment date for all employees. You can't, for example, have one re-enrolment date for employees that are still working and a different date for employees on furlough.

Otherwise, if your re-enrolment date falls when employees are on furlough, you need to assess opted out employees as you normally would and if they are eligible based on age and earnings (which might be reduced furloughed earnings) re-enrol them as normal.

Further help

As checking contributions paid and compliance with AE duties during furlough are likely to become a key issues for employers, we have expanded our **Auto Enrolment Audit service** - designed to report to employers on their compliance with a wide range of mandatory duties.

If you have additional questions or need help with any of the topics above, please get in touch.

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